



DEPARTMENT OF THE TREASURY
WASHINGTON, D.C.

SECRETARY OF THE TREASURY

July 13, 2000

The Honorable Connie Mack
United States Senate
Washington, DC 20510

Dear Senator Mack:

I understand that the Banking Committee intends later this week to consider your proposed legislation, S.2101, "The International Monetary Stability Act of 2000," which would authorize the Treasury Department to share seigniorage revenues with countries that adopt the United States Dollar as their official currency. I would like to take this opportunity to offer our views on this proposal.

Your thoughtful, forward-looking leadership on this issue has contributed enormously to the intellectual debate on this important policy issue, and has expanded public awareness of both the potential benefits and costs of dollarization and seigniorage-sharing. We very much appreciate your efforts.

As the Administration has indicated in the past, responsible dollarization may be a sensible decision for a government to make. However, we believe that it is fundamentally a unilateral sovereign decision.

We believe the United States should remain open to the possibility of sharing seigniorage revenues, after full Congressional authorization and consultation, with countries that dollarize under the right circumstances. We do not believe, however, that there is a compelling reason for the United States at this time to establish a framework to permit us to share seigniorage. Such a framework would raise a number of complex political, economic, foreign policy issues, and U.S. budget issues (such as a likely paygo cost for budget purposes). These issues and the establishment of a framework for sharing seigniorage should be more fully debated and decided.

Consequently, the Administration does not think the time is ripe for this legislation and cannot support it at this time. However, we look forward to continuing our dialogue with you and others in Congress on this important subject.

Sincerely,

Lawrence H. Summers

cc: The Honorable Phil Gramm
The Honorable Paul Sarbanes